

Financial Report



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

INDEPENDENT TRANSPORT SAFETY AND RELIABILITY REGULATOR

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Independent Transport Safety and Reliability Regulator:

- (a) presents fairly the Independent Transport Safety and Reliability Regulator's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

The Chief Executive Officer's Role

The financial report is the responsibility of the Chief Executive Officer. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Chief Executive Officer in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Chief Executive Officer had not fulfilled her reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Independent Transport Safety and Reliability Regulator,
- that it has carried out its activities effectively, efficiently and economically,

- about the effectiveness of its internal controls, or
- on assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



P Carr, FCPA
Director, Financial Audit Services

SYDNEY
25 October 2005

Independent Transport Safety and Reliability Regulator Statement by Chief Executive Officer

For the year ended 30 June 2005

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I state that:

(a) The accompanying financial statements have been prepared in accordance with

- Applicable Australian Accounting Standards;
- Other authoritative pronouncements of the Australian Accounting Standards Board;
- Urgent Issues Group Consensus Views;
- The requirements of the Public Finance and Audit Act and Regulations; and
- The Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

(b) The statements exhibit a true and fair view of the financial position and transactions of the Regulator; and

(c) There are no circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Chief Executive Officer

20 October 2005

Independent Transport Safety and Reliability Regulator

Statement of Financial Performance

For the year ended 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 6 months to 30.6.2004 \$'000
Expenses				
Operating expenses				
Employee-related	2(a)	11,170	10,639	4,452
Other operating expenses	2(b)	5,209	5,379	5,526
Depreciation	2(c)	249	100	111
Total expenses		16,628	16,118	10,089
Less				
Retained revenue				
Sale of services	3(a)	46	-	4
Investment income	3(b)	80	-	38
Total retained revenue		126	-	42
Net Cost Of Services	17	16,502	16,118	10,047
Government Contributions				
Recurrent appropriation	4	14,626	14,661	9,046
Capital appropriation	4	545	1,115	1,000
Acceptance by the Crown Entity of Employee benefits and other Liabilities	5	1,831	1,457	1,104
Total Government Contributions		17,002	17,233	11,150
SURPLUS FOR THE PERIOD FROM ORDINARY ACTIVITES				
		500	1,115	1,103
Total revenues, expenses and valuations adjustments recognised directly in equity		-	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	13	500	1,115	1,103

The accompanying notes form part of these statements.

Independent Transport Safety and Reliability Regulator

Statement of Financial Position

As at 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
ASSETS				
Current assets				
Cash	7	2,385	2,247	2,147
Receivables	8	357	260	560
Prepayments	9	108	113	113
Total Current Assets		2,850	2,620	2,820
Non-Current Assets				
Property, plant and equipment				
Leasehold improvements	10	720	805	905
Plant and equipment	10	576	432	132
Total property, plant and equipment		1,296	1,237	1,037
Total Non-Current Assets		1,296	1,237	1,037
Total Assets		4,146	3,857	3,857
LIABILITIES				
Current Liabilities				
Payables	11	1,110	1,876	1,876
Provisions	12	917	425	425
Liability to Consolidated Fund	4	35	-	-
Total Current Liabilities		2,062	2,301	2,301
Non-Current Liabilities				
Provisions	12	401	373	373
Total Non-Current Liabilities		401	373	373
Total Liabilities		2,463	2,674	2,674
Net Assets		1,683	1,183	1,183
EQUITY				
Accumulated funds	13	1,683	1,183	1,183
Total Equity		1,683	1,183	1,183

The accompanying notes form part of these statements.

Independent Transport Safety and Reliability Regulator

Statement of Cash Flows

For the year ended 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 6 months to 30.6.2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(9,353)	(9,577)	(2,973)
Other operating expenses		(6,493)	(5,979)	(4,498)
Total payments		(15,846)	(15,556)	(7,471)
Receipts				
Miscellaneous revenue		66	-	4
Interest		76	-	-
Recreation leave		-	-	308
Goods and Services Tax received		803	804	208
Total Receipts		945	804	520
Cash Flows from Government				
Recurrent appropriation		14,661	14,455	9,046
Capital appropriation		545	1,115	1,000
Cash reimbursements from the Crown Entity		441	395	120
Net Cash Flows from Government		15,647	15,965	10,166
NET CASH INFLOWS FROM OPERATING ACTIVITIES	17	746	1,213	3,215
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(508)	(1,115)	(1,068)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(508)	(1,115)	(1,068)
NET INCREASE IN CASH		238	98	2,147
Opening cash and cash equivalents		2,147	2,147	-
CLOSING CASH AND CASH EQUIVALENTS	7	2,385	2,245	2,147

The accompanying notes form part of these statements.

Independent Transport Safety and Reliability Regulator

Statement of Compliance with Financial Directives

For the year ended 30 June 2005

	2004-05				For the period from 1 January 2004 to 30 June 2004			
	Recurrent Expenditure \$'000	Expenditure - Net claim on Cons Fund \$'000	Capital Appropriation \$'000	Expenditure-Net claim on Cons Fund \$'000	Recurrent Expenditure \$'000	Expenditure-Net claim on Cons Fund \$'000	Capital Appropriation \$'000	Expenditure -Net claim on Cons Fund \$'000
Original budget Appropriation								
Appropriations Act	15,673	14,523	-	-	-	-	-	-
Additional appropriations	-	-	-	-	-	-	-	-
S 21 PF& AA - special appropriations	-	-	-	-	-	-	-	-
S 24 PF& AA - transfer of functions between agencies	-	-	-	-	-	-	-	-
	<u>15,673</u>	<u>14,523</u>	-	-	-	-	-	-
Other appropriations/expenditure								
Treasurer's advance	-	-	-	545	7,046	7,046	1,000	1,000
Enforced Transfer- recurrent to capital	(1,115)	-	1,115	-	-	-	-	-
Transfer to/from another agency (S27 of the Appropriation Act)	103	103	-	-	2,000	2,000	-	-
	<u>(1,012)</u>	<u>103</u>	<u>1,115</u>	<u>545</u>	<u>9,046</u>	<u>9,046</u>	<u>1,000</u>	<u>1,000</u>
Total Appropriation/Expenditure	<u>14,661</u>	<u>14,626</u>	<u>1,115</u>	<u>545</u>	<u>9,046</u>	<u>9,046</u>	<u>1,000</u>	<u>1,000</u>
Drawdown from Treasury		14,661		545		9,046		1,000
Liability to Consolidated Fund		<u>35</u>		<u>-</u>		<u>-</u>		<u>-</u>

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed). Liability to Consolidated Fund represents the difference between the "Amount Drawn Down against Appropriation" and the "Total Expenditure"/Net Claim on Consolidated Fund.

Independent Transport Safety and Reliability Regulator

Program Statement Expenses and Revenue

For the year ended 30 June 2005

	Program 65.1.1		Program 65.1.2		Program 65.1.3		Non attributable		Total	
	\$'000 2005	\$'000 2004	\$'000 2005	\$'000 2004	\$'000 2005	\$'000 2004	\$'000 2005	\$'000 2004	\$'000 2005	\$'000 2004
EXPENSES										
Operating expenses										
Employee related	(8,741)	(3,566)	(1,266)	(604)	(1,163)	(282)	-	-	(11,170)	(4,452)
Operating expenses	(4,857)	(4,382)	(186)	(559)	(166)	(585)	-	-	(5,209)	(5,526)
Depreciation	(249)	(109)	-	(1)	-	(1)	-	-	(249)	(111)
Total Expenses	(13,847)	(8,057)	(1,452)	(1,164)	(1,329)	(868)	-	-	(16,628)	(10,089)
RETAINED REVENUE										
Sale of services	46	4	-	-	-	-	-	-	46	4
Investment income	80	30	-	4	-	4	-	-	80	38
Total retained revenue	126	34	-	4	-	4	-	-	126	42
Net Cost of Services	(13,721)	(8,023)	(1,452)	(1,160)	(1,329)	(864)	-	-	(16,502)	(10,047)
Government Contributions	-	-	-	-	-	-	17,002	11,150	17,002	11,150
NET REVENUE	(13,721)	(8,023)	(1,452)	(1,160)	(1,329)	(864)	17,002	11,150	500	1,103
ADMINISTERED REVENUE										
Rail operator's accreditation fees							3,591	-	3,591	-
Fines							-	-	-	-
							3,591	-	3,591	-

The names and purpose of each program are summarised in Note 6. Appropriations are made on an agency basis and not to individual program. Consequently Government Contributions must be included in the not attributable column.

The 2004 comparative amounts relate to the period from 1 January 2004 to 30 June 2004.

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Independent Transport Safety and Reliability Regulator was established on 1 January 2004 as a statutory corporation under the *Transport Administration Act 1988* as amended. The principal objective of this agency is to facilitate the safe operation of transport services in New South Wales. The comparative period covers the period from 1 January 2004, the date of establishment of the corporation, to 30 June 2004.

The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

(b) Basis of Accounting

The agency's financial statements are a general purpose financial report, which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the Public Finance and Audit Act and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed. In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest thousand dollars and are expressed in Australian currency.

(c) Administered Activities

The agency administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the agency's own objectives.

Transactions and balances relating to the administered activities are not recognised as the agency's revenues, expenses, assets and liabilities, but are disclosed in Notes 19 to 21 as Administered Assets and Liabilities, Administered Revenue – Crown Revenue, and Administered Revenue – Schedule of Uncollected Amounts.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(d) Revenue Recognition

Revenue is recognised when the agency has control of the good or right to receive, it is probable that the economic benefits will flow to the agency and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations:

Parliamentary appropriations are recognised as revenues when the agency receives the funds from the Consolidated Fund.

An exception to the above is when appropriations are unspent at year-end. In this case the ability to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue. The agency had a liability to the Consolidated Fund at balance date (Note 4).

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

(ii) Sale of Services:

Revenue from the sale of services comprises revenue from the provision of services i.e. user charges. User charges are recognised as revenue when the agency obtains control of the assets that result from them.

(iii) Investment Income:

Interest revenue is recognised as it accrues.

(e) Employee Benefits and Other Provisions

(i) Salaries, Annual Leave, Sick Leave and oncost:

Liabilities for salaries (including non-monetary benefits), annual leave and vested sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vested sick leave does not give rise to a liability, as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long Service Leave and Superannuation:

The agency's liabilities for long service and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee benefits and other Liabilities".

Long service leave is measured using the present value method. This method uses expected remuneration rates adjusted by Treasury-determined factors to calculate long service leave benefits of employees with more than five

years of service.

The superannuation expense for the financial period is determined by using the formulae specified in the Treasurer's Circular. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (ie. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other Provisions

Other provisions exist when the agency has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised either when a detailed formal plan has been developed or will be developed within prescribed time limits and where the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(f) Insurance

The agency's insurance activities are conducted through the NSW Treasury Managed Fund scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(g) Accounting for Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where receivables and payables are stated with the amount of GST included. The amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

(h) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the agency. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Leasehold improvements comprise office improvements.

Plant and equipment comprise office furniture, equipment and computer systems and equipment. The agency acquired most of its computers under operating leases. As these leases expire, the agency will buy computers in accordance with Treasury Circular No. 04/06 (Note 14).

Generally assets costing \$500 and above individually are capitalised.

(i) Depreciation

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the agency. The principal rate used for office furniture, equipment and computer equipment and systems was 20 per cent. The leasehold period is 3 years and it is expected that the period be extended for a further period of 2 years and amortised at 20 per cent.

The agency owns a small number of physical non-current assets that have been fully depreciated. These consist mainly of office equipment and computers whose value is not material to require recognition in these accounts.

(j) Leased Non-Current Assets

Operating lease payments are charged to the Statement

of Financial Performance in the periods in which they are incurred. The agency does not have any finance leases.

(k) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(l) Prepayments

Prepayments are recognised on a cost basis.

(m) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSWTC 01/11 and are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issued Group Abstract UIG 38 "Contributions by Owners Made to Wholly Owned Public Sector Entities".

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

(n) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(o) Budgeted Amounts

The budgeted amounts are drawn from the State budgets, adjusted for the effects of additional appropriations, S21A, S24 and/or S26 of the Public Finance and Audit Act 1983.

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	Year ended 30 June 2005 \$'000	6 months to 30 June 2004 \$'000
2. Expenses		
(a) Employee related expenses		
<i>comprise the following specific items:</i>		
Salaries (including recreation leave)	8,618	3,022
Superannuation	668	225
Long service leave	1,123	865
Workers' compensation insurance	35	38
Payroll tax and fringe benefit tax	652	302
Redundancies	74	-
	11,170	4,452
(b) Other operating expenses		
Accommodation		
Property rentals	609	455
Other property costs	48	52
External services		
Contractors	2,835	4,007
Legal services	401	10
Audit fees – external	12	6
Information technology		
Computer leasing	81	28
Computer licences	182	58
Communication lines	10	6
Other computer costs	26	4

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	Year ended 30 June 2005 \$'000	6 Month to 30 June 2004 \$'000
(b) Other operating expenses (Cont)		
Motor vehicle running expenses		
Operating lease rentals	39	21
Other motor vehicle expenses	125	71
Advertising and promotion	16	12
Staff recruitment and training costs	238	219
Administration		
Printing and stationery	121	136
Telephones	43	172
Postage and courier	14	3
Travel	240	74
Insurance	4	27
Others	165	165
	5,209	5,526
(c) Depreciation		
Leasehold improvements	203	100
Plant and equipment	46	11
	249	111
3. Revenues		
(a) Sale of Services		
Rendering of services	46	4
	46	4
(b) Investment income		
Interest	80	38
	80	38

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	Year ended 30 June 2005 \$'000	6 Month to 30 June 2004 \$'000
4. Appropriations		
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	14,661	9,046
Less: Liability to Consolidated Fund (per Summary of Compliance)	(35)	-
Recurrent appropriations (per Statement of Financial Performance)	14,626	9,046
Capital appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	545	1,000
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-
Capital appropriations (per Statement of Financial Performance)	545	1,000
5. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities		
The following liabilities and/or expenses have been assumed by the Crown Entity		
Superannuation	668	225
Long service leave	1,123	865
Payroll tax on superannuation (Note 18)	40	14
	1,831	1,104

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

6. Program Information

The agency has three programs namely:

Program 65.1.1 – Effective Regulation

Program objective: To provide strategic co-ordination of safety regulation across transport modes. To administer the *Rail Safety Act 2002*, including accreditation of rail operators and undertaking compliance audits and investigations.

Program description: Provisions of safety policy and safety management system standards across transport modes and the guidelines and regulations that support these. Accredite rail operators and monitor compliance with the *Rail Safety Act 2002*, with a focus on promoting improvements in safety management systems and safety culture. Provisions of research and data analysis to identify potential safety issues.

Program 65.1.2 – Investigation

Program objective: To conduct independent and rigorous investigations into accidents and incidents involving transport services.

Program description: Conduct investigations into rail, bus and ferry accidents and incidents and initiate investigations of systematic safety failures. Manage the Confidential Safety Information and Reporting Scheme. Notify industry of safety issues. Monitor national and overseas transport safety investigations.

Program 65.1.3 – Service Reliability

Program objective: To advise the Government and the community on the extent to which transport operators are meeting their service obligations. To identify lead indicators of potential safety risks.

Program description: Advise the Minister, Government and the community on the extent to which publicly funded transport services are meeting the standards set by Government under their contracts with service providers. Advise the Minister of performance against national and international standards. Provide administrative support to the Transport Advisory group to facilitate community participation in reliability assessment.

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	30.06.2005 \$'000	30.06.2004 \$'000
7. Cash		
Cash at bank and on hand	2,385	2,147
	2,385	2,147
<p>For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank. Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows.</p>		
8. Receivables		
Employee entitlements recoverable	134	149
Goods and Services Tax – recoverable	68	254
Others	54	-
Goods and Services Tax on accruals	101	157
	357	560
Less: Provision for doubtful debts	-	-
	357	560
9. Prepayments		
Prepaid expenses	108	113
	108	113

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

10. Non-Current Assets - Property, Plant and Equipment	30.06.2005 \$'000	30.06.2004 \$'000	
Leasehold Improvements			
At fair value	1,024	1,005	
Less: Accumulated depreciation	304	100	
	720	905	
Plant and equipment			
At fair value	673	183	
Less: Accumulated depreciation	97	51	
	576	132	
Total property, plant and equipment			
At net book value	1,296	1,037	
Reconciliation of the carrying amounts by asset class at the beginning and end of the period are set out below:			
	Leasehold improvements \$'000	Plant & equipment \$'000	Total \$'000
Carrying amount at 1 July 2004	905	132	1,037
Additions	19	489	508
Depreciation expense	204	45	249
Carrying amount at 30 June 2005	720	576	1,296

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	30.06.2005 \$'000	30.06.2004 \$'000
11. Payables		
Creditors	5	20
Accruals		
Salaries and on-costs (note 12)	23	116
Others	1,082	1,740
	1,110	1,876
12. Provisions		
Current liabilities		
Recreation leave	794	302
Others	123	123
	917	425
Non-current liabilities		
Recreation leave	274	280
Others	127	93
	401	373
Aggregate employee benefits and related on-costs		
Provisions–current	917	425
Provisions– non-current	401	373
Accrued salaries & on-costs (Note 11)	23	116
	1,341	914

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	30.06.2005 \$'000	30.06.2004 \$'000
13. Changes in Equity		
Balances at the beginning of the financial period	1,183	80
Surplus for period	500	1,103
Balance at the end of the financial period	1,683	1,183
14. Commitments for Expenditure		
(a) Capital commitments		
Aggregate capital expenditure contracted at balance date and not provided for:	-	-
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-
Total (including GST)	-	-
(b) Other expenditure commitments		
Aggregate other expenditure contracted for at balance date and not provided for:	621	441
Not later than one year	621	441
Later than one year but not later than five years	-	-
Later than five years	-	-
Total (including GST)	621	441
(c) Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:	1,717	2,556
Not later than one year	916	873
Later than one year but not later than five years	801	1,683
Later than five years	-	-
Total (including GST)	1,717	2,556
The agency leases its motor vehicles, computers and office accommodation (Note 1(h)).		

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

15. Contingent Liabilities and Contingent Assets

Contingent Liabilities

The agency had no contingent liabilities as at balance date (2004-nil).

Contingent Assets

The agency had no contingent assets as at balance date (2004-nil).

16. Budget Review

Net Cost of Services

The net cost of services for the year ended 30 June 2005 was \$16.5m compared to the budget of \$16.1m, an overspending of \$384k.

- **Employee-related expenses** at \$11.2m were above the budget of \$10.6m. due to higher employee oncosts.
- **Other operating expenses** at \$5.2m were slightly below the budget of \$5.4m.

Assets and Liabilities

The main changes in the statement are set out below:

- **Cash** of \$2.4m was higher than budget and will be used to pay accrued expenses and creditors.
- The **receivables** were higher than budget.
- **Accounts payable** including provisions were consistent with the budget and the comparative period.

Cash Flows

Net cash flows from operations amounted to \$746k of which \$508k was spent on property, plant and equipment with the balance to be used to pay creditors and accrued expenses.

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

17. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services	Year ended 30.06.2005 \$'000	to 30.06.2004 \$'000
Net Cash flow from Operating Activities	746	3,215
Cash flows from Government/Appropriations	(15,647)	(10,164)
Acceptance by the Crown Entity of Employee Entitlements	(1,390)	(986)
Depreciation	(249)	(111)
(Decrease)/Increase in prepayments	(5)	241
(Decrease)/Increase in receivables	(203)	403
(Decrease) Increase in creditors	766	(1,847)
Increase in provisions	(520)	(798)
Net Cost of Services	(16,502)	(10,047)

18. Non-cash Financing and Investing Activities

During the period, the agency undertook the following non-cash financing and investing activities:

Employees' entitlements and liabilities	1,831	1,104
Assumed by the Crown Entity (Note 5)	1,831	1,104

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	30.06.2005 \$'000	30.06.2004 \$'000	
19. Administered Assets and Liabilities			
Administered Assets			
Receivables (1)	1,081	45	
Total Administered Assets	1,081	45	
Administered Liabilities			
Payables (1)	1,081	45	
Total Administered Liabilities	1,081	45	
(1) Receivables and payables relate to Crown revenue (rail accreditation fees) not yet collected.			
20. Administered Revenue - Schedule of Uncollected Amounts			
Uncollected administered revenue	1,081	45	
	1,081	45	
	<90 Days \$'000	>90 Days \$'000	Total \$'000
Receivables – rail accreditation fees – 2005	256	825	1,081
Receivables – rail accreditation fees – 2004	-	45	45

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

	Year ended 30.06.2005 \$'000	6 months to 30.06.2004 \$'000
21. Administered Revenue		
Crown Revenue		
Rail accreditation fees collected and remitted to the Crown	3,591	-
	3,591	-

22. Financial Instruments

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation 11am unofficial cash rate adjusted for a management fee to Treasury.

Receivables

All trade debtors are recognised as amount receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30-days terms.

Trade creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If

trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

(a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The exposure to interest rate risk and the effective interest rates of financial assets and liabilities both recognised and unrecognised at 30 June 2005 are as follows:

Independent Transport Safety and Reliability Regulator

Notes to and forming part of the financial statements

For the year ended 30 June 2005

22. Financial Instruments (cont)...

	Floating Interest rate		Non-Interest Bearing		Total carrying amount as per Statement of Financial Position		Weighted average effective interest rate	
	\$'000 2005	\$'000 2004	\$'000 2005	\$'000 2004	\$'000 2005	\$'000 2004	2005 %	2004 %
Financial Assets								
Cash	2,385	2,147	-	-	2,385	2,147	4.07	3.42
Receivables	-	-	357	560	357	560	-	-
Total	2,385	2,147	357	560	2,742	2,707		
Financial Liabilities								
Payable	-	-	1,110	1,876	1,110	1,876	-	-
Total	-	-	1,110	1,876	1,110	1,876		

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. The agency was not exposed to a credit risk from carrying amounts of financial assets in the Statement of Financial Position.

The implementation of the Australian Equivalents to International Financial Reporting Standards (AEIFRS) will not have a significant impact on the equity and surplus of the agency.

23. Impact of the Implementation of Australian Equivalents to International Financial Reporting Standards

The agency will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from the reporting period beginning 1 July 2005.

As part of the service level agreement the Ministry of Transport has assisted the agency to manage the transition to the new standards.

24. Post Balance Sheet Events

On 1 July 2005 the agency transferred its investigative functions to the newly formed Chief Investigator of the Office of Transport Safety Investigations.

End of audited financial statements.